

**2008-09 Budget Act**

**Highlights**

**Department of Health Care Services**



**Arnold Schwarzenegger  
Governor  
State of California**

**Kimberly Belshé  
Secretary  
California Health and Human Services Agency**

**Sandra Shewry  
Director  
Department of Health Care Services**

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## CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES PROGRAM OVERVIEW

The mission of the California Department of Health Care Services (DHCS) is to protect and improve the health of all Californians through operating and financing programs delivering personal health care services to eligible individuals.

The Health Care Services Programs provide services to ensure low-income Californians have access to health care services and that those services are delivered in a cost effective manner. The Medical Care Services (Medi-Cal) program is a health care program for low-income and low-resource individuals and families who meet defined eligibility requirements. Medi-Cal is responsible for coordinating and directing the delivery of health care services to 6.7 million qualified persons and families, including low-income families, seniors and persons with disabilities, children in families with low-incomes or in foster care, pregnant women, and low income people with specific diseases. Children's Medical Services is responsible for coordinating and directing the delivery of health services to low-income and seriously ill children and adults with specific genetic diseases, and includes the Child Health and Disability Prevention Program, Genetically Handicapped Persons Program, California Children's Services Program, and Newborn Hearing Screening Program. Primary and Rural Health is responsible for coordinating and directing the delivery of health care to Californians in rural areas and to underserved populations, and includes the Expanded Access to Primary Care Program, the Indian Health Program, the Rural Health Services Development Program, and the Seasonal Agricultural and Migratory Workers Program.

### GENERAL BUDGET OVERVIEW

The budget for DHCS supports activities and services that reinforce the State's commitment to protecting and improving the health of all Californians. For Fiscal Year (FY) 2008-09, the budget provides a total of \$39.4 billion (\$14.7 billion General Fund), an increase of \$2.3 billion (\$875.940 million General Fund) from the January 10 proposed budget. The General Fund increase primarily reflects the rejection of reductions in benefits and alteration of provider rates. The Budget affirms the Department's commitment to address the health care needs of Californians. It does this through responsible proposals that continue to address the needs of the most vulnerable populations.

### Total DHCS Budget

Fund Source	2008-09 Proposed Budget	2008-09 Approved Budget	Difference
General Fund (GF)	\$13,876,997	\$14,752,937	\$875,940
Federal Funds (FF)	\$21,137,952	\$22,276,335	\$1,138,383
Special Funds & Reimbursements	\$2,070,157	\$2,380,935	\$310,778
<b>Total Funds</b>	<b>\$37,085,106</b>	<b>\$39,410,207</b>	<b>\$2,325,101</b>

\*Dollars in thousands

## State Operations BUDGET ADJUSTMENTS

### **Approved Budget Change Proposals, Finance Letters and Administrative Adjustments**

#### ***Adult Day Health Care Program Restructuring – SB 1755***

1.0 Position     \$106,000 Total Funds  
    \$ 53,000 GF  
    \$ 53,000 FF

The Budget Act authorizes one (1) position to assist with the implementation of SB 1755. This request supplements the positions approved in the 2007-2008 Budget Change Proposal. Successful implementation of SB 1755 may prevent the federal government from taking any adverse actions against the program.

#### ***In-Home Supportive Services (IHSS) Plus 1115 Demonstration Waiver***

4.0 Positions     \$389,000 Total Funds  
    \$195,000 GF  
    \$194,000 FF

The Budget Act authorizes extension of four (4) limited-term positions for two additional years to ensure ongoing compliance with federal requirements for DHCS monitoring and oversight of this approved Independence Plus waiver. The IHSS Plus waiver application was approved in July 2004 under Section 1115(a) of the Social Security Act as a five-year waiver, for the period of August 1, 2004 to July 31, 2009. The DHCS will begin the renewal process for the IHSS Plus waiver later this year to ensure continual funding of services, and will continue to request renewals on an ongoing basis thereafter. Without DHCS oversight, the federal government is not likely to approve renewing this waiver.

#### ***Breast and Cervical Cancer Treatment Program (BCCTP)***

8.0 Positions     \$716,000 Total Funds  
    \$358,000 GF  
    \$358,000 FF

The Budget Act authorizes extension of eight (8) limited-term positions for two additional years. The BCCTP is a special program that provides treatment services to eligible California residents diagnosed with breast and/or cervical cancer who otherwise would not qualify for other Medi-Cal programs or commercial insurance coverage. These positions complete the annual redeterminations that are required to receive federal funds for the program.

#### ***Federal DRA of 2005 – Citizenship and Asset Eligibility***

4.0 Positions     \$241,000 Total Funds  
    \$108,000 GF  
    \$133,000 FF

The Budget Act extends four (4) limited-term positions for one and one-half years to June 30, 2010, to implement and continue administration of various provisions of the federal Deficit Reduction Act (DRA) of 2005 that deal with citizenship and identity and asset eligibility.

***California Community Transitions – Transitioning Medi-Cal Residents in Hospitals and Skilled Nursing Facilities Back into their Communities Using Home and Community-Based Services***

2.0 Positions      \$240,000 Total Funds

\$ 91,000 GF

\$149,000 FF

The Budget Act approves two (2) positions to implement California's Money Follows the Person (MFP) Rebalancing Demonstration, entitled "California Community Transitions" (CCT), in accordance with Section 6071 of the DRA of 2005. The MFP Rebalancing Demonstration is part of a comprehensive, coordinated strategy provided by the Centers for Medicare & Medicaid Services (CMS) to assist states, in collaboration with stakeholders, to make widespread changes to their Medicaid long-term care delivery systems in order to transition Medi-Cal beneficiaries residing in institutions back to the community.

***California Mental Health Disease Management Program (CalMEND) Request for Augmentation of Funding***

3.0 Positions      \$421,000 Total Funds

\$252,000 FF

\$169,000 Other Funds

The Budget Act establishes three (3) limited-term positions for three years to maintain program activities developed to date. CalMEND was developed by DHCS in 2004 with the goal of improving the efficiency and effectiveness of services provided by state agencies/departments to persons with serious mental illness (SMI) or serious emotional disturbance (SED).

***Provider Enrollment Automation Project (PEAP)***

0.0 Positions      \$2,377,000 Total Funds

\$ 594,000 GF

\$1,783,000 FF

The Budget Act authorizes funding to acquire and configure a commercial integrated enrollment case tracking and document management system. PEAP will allow enrollment of Medi-Cal providers to evolve from a paper-based to an electronic environment. PEAP will improve the provider enrollment process by reducing application processing time, improving customer service to providers, reducing application backlog, creating timely onsite reviews for pre-enrollment and re-enrollment of high risk provider applicants, and enable the Department to perform a complete review for each provider application.

***Medi-Cal Eligibility Data Systems Security Changes***

16.0 Positions      \$1,803,000 Total Funds

\$ 557,000 GF

\$1,246,000 FF

The Budget Act authorizes sixteen (16) limited-term positions for two years, effective January 1, 2008, to remediate problems with security controls related to the State Medi-Cal Eligibility Data System (MEDS) users (internal and external) and meet mandates required by the new 1113 data sharing agreement with the Social Security Administration (SSA). The positions will allow DHCS to maintain crucial operations to more than 6.7 million Medi-Cal recipients, continue to meet the business needs of both internal and external department users who have a critical need for MEDS data and foster compliance with federal requirements related to the privacy and security of sensitive information maintained by DHCS.

### ***Medi-Cal Community-Living Support Benefit Waiver Pilot Project (AB 2968) – Extend Limited-Term Positions***

3.0 Positions

1.0 Positions (CDPH)     \$233,000 Total Funds  
    \$83,000 FF (DHCS)  
    \$150,000 Other Funds (DHCS/CDPH)

The Budget Act extends four (4) limited-term positions (three (3) DHCS and one (1) CDPH) effective January 1, 2009, for an additional two and one-half (2.5) years to continue to perform and support the new workload associated with the implementation of AB 2968. The provisions of AB 2968 require the Department to develop and implement a program to provide a community-living support benefit to Medi-Cal beneficiaries residing in the City and County of San Francisco who would otherwise be homeless, living in shelters or institutionalized. AB 2968 further mandates the Department to submit any waiver application, modify any existing waiver, or amend the Medicaid State Plan, as necessary to provide this benefit. The Department shall implement this benefit only to the extent that federal financial participation is available, and the City and County of San Francisco provides county funds for State administration, and to match federal funds for services provided under the waiver. A Medicaid 1915(c), Home and Community Based Services waiver will be required to implement this pilot project.

### ***HIPAA Renewal and Maintenance***

12.5 Positions     \$1,550,000 Total Funds  
    \$ 218,000 GF  
    \$1,332,000 FF

The Budget Act extends eleven and one-half (11.5) limited-term positions for an additional three years and converts one (1) limited-term position to permanent status to implement and maintain the Health Insurance Portability and Accountability Act (HIPAA) mandated by the Federal Government. The positions will assist in providing and maintaining crucial operations to more than 6.7 million Medi-Cal recipients and in complying with federal requirements related to the privacy and security of sensitive information maintained by DHCS.

### ***Improving Services for Seniors and Persons with Disabilities and Chronic Health Conditions***

0.0 Positions     \$0 Total Funds  
    \$ 358,000 GF  
    \$ 417,000 FF  
    \$ - 775,000 OF

The Budget Act provides for redirection of funding for three existing positions and contract consultants to work on activities associated with improving the delivery of health care services to seniors with disabilities and chronic health conditions (SPDs). The proposal will enable the Department to implement recommendations outlined in the California Healthcare Foundations (CHCF) report, "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions."

***Public Assistance Reporting Information System***

0.0 Positions      \$0 Total Funds

\$0 GF

\$0 FF

The Budget Act authorizes the redirection of existing resources to implement a pilot program for the Public Assistance Reporting and Information System (PARIS). The Department is proposing a pilot program to exchange information with PARIS to improve the identification of a subset of veteran Medi-Cal beneficiaries. The Department would match the MEDS against the PARIS data base to identify veteran Medi-Cal beneficiaries. The Department would then filter the PARIS match results to focus outreach efforts on veteran Medi-Cal beneficiaries that are disabled and receiving high-cost services or long term care in three pilot counties. The Department would refer identified beneficiaries to County Veteran Services Officers (CVSOs) who would perform outreach services and assist them in obtaining USDVA health coverage.

## **Medi-Cal Local Assistance**

- Medi-Cal (California's version of Medicaid) is a state/federal public health insurance program serving low-income families, seniors, persons with disabilities, children in foster care, pregnant women, and certain low-income adults.
- Medi-Cal served 6.6 million recipients in 2007-08 and will serve 6.7 million in 2008-09, mostly families with incomes up to 100 percent of the federal poverty level (\$17,170 for a family of three).
- More than 440 hospitals and approximately 130,000 doctors, pharmacists, dentists, and other health care providers participate to provide medically necessary services to Medi-Cal recipients.

Changes Under the Signed 2008 Budget Act -- \$637.5 million in General Fund savings is achieved through:

Provider Rate Reductions Through February 2009 – The Budget Act assumes ongoing provider rate reductions adopted by the Legislature in the Special Session in March 2008. The Budget assumes \$429.6 million in savings through a 10 percent reduction until February 2009, including:

- Reducing provider payments for health care providers in fee-for-service and managed care plans (\$374.0 million of a \$6 billion budget).
- Rates for some long-term care facilities (\$37.5 million of a \$665.3 million budget).
- Non-contract hospital rates (\$18.1 million of a \$358 million budget).

Provider Rate Reductions Effective March 2009 – The Budget Act assumes that provider rate reductions will change effective March 2009. The Budget assumes \$70.8 million in savings through a provider rate reductions effective March 2009 including:

- Reducing provider payments for health care providers in fee-for-service and managed care plans by 1% (except pharmacies which will be a 5% reduction and BCCTP –State which will have no reduction) (\$55.8 million of a \$6 billion budget).
- Rates for some long-term care facilities (\$6.0 million of a \$665.3 million budget).
- Non-contract hospital rates (\$9.0 million of a \$358 million budget).

Mid-Year Status Reporting – The Budget Act requires mid-year status reporting of income for children (\$13.9 million in savings). (This replaces a proposal for quarterly status reporting.)

### **Additional Medi-Cal Reductions**

- Eliminating payment of Medicare Part B Premiums for beneficiaries who do not qualify for Medi-Cal without a share of cost greater than \$500 (\$48.4 million savings).
- County and other administrative reductions (\$54.5 million savings).
- Fiscal Intermediary reductions (\$3.6 million savings).
- Reducing non-contract hospital rates (except for rural hospitals) to either the rate paid to contract hospitals minus 5 percent; or 90% of costs, whichever is lowest (\$11.3 million savings). Adopt similar provisions for Medi-Cal managed care.
- Delaying the implementation of Senate Bill 437, which would ease enrollment of children in Medi-Cal and Healthy Families programs, until Fiscal Year 2010-11 (\$5.4 million savings).

Optional Medi-Cal Benefits – no reductions in optional Medi-Cal benefits are included in the 2008 Budget Act.

- Eligibility income levels for basic Medi-Cal benefits will not change.
- Benefits for adults in nursing homes and children will not change.



## **Family Health Local Assistance**

### **CCS**

County Administrative Costs: The final budget includes no reductions to County Administrative Costs.

California Children's Services (CCS) Payment/Rate Reductions: The Budget Act authorizes payment/rate reductions for CCS as related to CCS providers and CCS Medical Therapy Services. The CCS Provider Reduction directs eight months at 10% and four months at 1%. In addition, CCS Medical Therapy Services will be decreased by a total of \$3.854 million GF, however the program will receive a \$2.421 million backfill in reimbursements, this causing the net reduction to be \$1.433 million.

### **CHDP**

CHDP Provider Pmt by 10% PC 2: The Budget Act authorizes a \$158 thousand GF reduction in FY 2008-09. This will be achieved by applying a 10% reduction for eight months and a 1% reduction for four months.

### **GHPP**

Policy Change 3 – Blood Factor Rebates and Contract Savings: Increased savings due to the collection of an additional \$2.9 million GF in blood factor rebates in 2007-08 and 2008-09 have been added in the May 2008 Family Health Estimate. The November 2007 Family Health Estimate assumed rebates of \$1.5 million GF in both 2007-08 and 2008-09. However, the Department found that when pharmacies began invoicing by NDC codes through the Rebate Accounting Information System (RAIS) in July 2006, the utilization data in RAIS for GHPP State-Only clients were not transmitted to the Children's Medical Services Branch to manually invoice pharmacies for rebate collection. The Department is processing utilization data that were sent through the RAIS back to July 1, 2006 for the additional rebates, which have been included in the May 2008 Family Health Estimate.

GHPP Provider Pmts by 10% PC 5: The Budget Act calls for a \$3.494 million GF reduction in FY 2008-09. This will be achieved by applying a 10% reduction over 8 months and a 1% reduction for four months.